

# Department of Financial Institutions

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# Department Of Financial Institutions

## SAFE ACT

(Secure and Fair Enforcement for  
Mortgage Licensing Act of 2008)



# AGENDA ITEMS

- The SAFE Act and House Bill 106
- Registration
- Licensing
- Testing
- National Mortgage Licensing System (NMLS)  
Registration

# SAFE Act

- The SAFE Mortgage Licensing Act is part of the Housing and Economic Recovery Act of 2008 (“HERA”)
- HERA was signed into law on July 30, 2008
- HERA is comprehensive legislation that accomplishes the following:
  - Establishes increased regulation for housing government-sponsored enterprises (i.e. Fannie-Mae and Freddie-Mac),
  - Creates programs to assist borrowers in avoiding financial ruin through foreclosure, and
  - Mandates the cooperation of all 50 states in establishing and participating in a uniform system for monitoring and regulating mortgage loan originators

# SAFE Act

- ALL Loan originators in every state must now be registered with the Nationwide Mortgage Licensing System and Registry (NMLS)
- Kentucky was one of the first seven states to begin using NMLS on January 2008
- Creates two principal regulators of mortgage loan originators
  - A consortium of **Federal Banking Regulators** who regulate and supervise employees of depository institutions
  - **States** who regulate and supervise ALL OTHER persons who meet the definition of mortgage loan originator



# Employees of Depository Institutions

- May 29, 2009, the federal banking agencies issued a joint notice of proposed rulemaking concerning implementation of federal registration requirements of the SAFE Act
- Individuals and institutions covered by the proposed rule should not establish a record on NMLS at this point. They will be directed how to proceed after the federal banking agencies promulgate a final rule



# House Bill 106

- HB 106 was signed by Governor Steven L. Beshear on March 27, 2009
- Bill brings Kentucky into compliance with SAFE Act and also includes a number of changes that affect the mortgage industry in Kentucky
- The commissioner signed an order dated June 25, 2009, which modifies KRS 286.8 establishing new implementation dates due to the pending functionality of the NMLS system

# Registration Changes

- Pre-licensing and continuing education
- FBI background checks
- National and state written tests
- Credit reports
- Surety bonds
- Other



# Pre-Licensing Education

- All mortgage loan originators and processors must complete 20 hours of pre-licensing education consisting of:
  - 3 hours federal law
  - 3 hours ethics
  - 2 hours nontraditional mortgage
  - 12 hours of other mortgage related training

Note: Currently registered individuals may use any approved education completed since being registered by DFI, regardless of category



# Continuing Education

- All mortgage loan originators and processors must complete 12 hours of continued education in the calendar year of registration consisting of:
  - 3 hours federal law
  - 2 hours ethics
  - 2 hours nontraditional mortgage
  - 5 hours of other mortgage related training
- 4 hours of continuing education every other year must consist of Kentucky state law

Note: Currently licensed individuals may use their continuing education to complete their pre-licensing requirements



# Background Checks

- All mortgage loan originators and processors must submit a new FBI background check electronically through NMLS
- The functionality to complete this process has not been completed. The target date is fourth quarter 2009
- Currently licensed individuals who have already submitted a background check have until June 30, 2010 to submit a new background check electronically to the NMLS

# Written Test

- All mortgage loan originators and processors must pass a written National and State test
  - National test is currently available
  - State test should be available starting October 7, 2009

Note: Currently licensed individuals have until June 30, 2010, to successfully pass both components of the written test



# Credit Reports

- All mortgage loan originators and processors must submit a credit report electronically through NMLS
- The functionality to complete this process has not been completed. The target date is first quarter 2010

Note: All individuals have until Nov. 30, 2010, to submit a credit report



# Surety Bond

- All mortgage loan originators are required to have or be covered by a surety bond
  - Mortgage Loan Broker - \$50,000
  - Mortgage Loan Company - \$250,000
  - Individual surety bond requirements have not been established
- The bond cannot be terminated without 30 days prior written notice to the Department

# Other Changes

- Continuing education may not be carried over from one education year to the next
- Temporary registrations will no longer be issued
- Mortgage loan originators and processors must display their NMLS unique identifier number on all mortgage loan application, solicitations or advertisements, including business cards and Web sites

# Other Changes (cont.)

- To receive and maintain registration or renewal, an applicant:
  - Must not have had the license or registration revoked in any jurisdiction
  - Must not have been convicted of or pleaded guilty to a felony during the last seven years
  - Must not have ever been convicted of or pleaded guilty to any felony involving an act of fraud or dishonesty, a breach of trust or money laundering



# For More Information

- More details about Kentucky mortgage law changes can be found online at:

**[www.kfi.ky.gov/nondepository/mortgagelaw](http://www.kfi.ky.gov/nondepository/mortgagelaw)**



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# Licensing/Registration

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